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Attorneys for Debtors and Debtors-in-Possession

**UNITED STATES BANKRUPTCY COURT
 DISTRICT OF NEVADA**

In re:
 USA COMMERCIAL MORTGAGE COMPANY,
 Debtor.

Case No. BK-S-06-10725 LBR
 Case No. BK-S-06-10726 LBR
 Case No. BK-S-06-10727 LBR
 Case No. BK-S-06-10728 LBR
 Case No. BK-S-06-10729 LBR

In re:
 USA CAPITAL REALTY ADVISORS, LLC,
 Debtor.

Chapter 11

In re:
 USA CAPITAL DIVERSIFIED TRUST DEED FUND, LLC,
 Debtor.

Jointly Administered Under
 Case No. BK-S-06-10725 LBR

In re:
 USA CAPITAL FIRST TRUST DEED FUND, LLC,
 Debtor.

**LIMITED OBJECTION TO MOTION TO
 AMEND DEBTOR'S PROTOCOL FOR
 CONTINUING DISTRIBUTIONS AND
 INTERIM HOLDBACKS**

In re:
 USA SECURITIES, LLC,
 Debtor.

**(AFFECTS USA COMMERCIAL
 MORTGAGE, USA CAPITAL
 DIVERSIFIED TRUST DEED FUND, AND
 USA CAPITAL FIRST TRUST DEED
 FUND)**

Affects:

- ☐ All Debtors
- ☒ USA Commercial Mortgage Company
- ☐ USA Securities, LLC
- ☐ USA Capital Realty Advisors, LLC
- ☒ USA Capital Diversified Trust Deed Fund, LLC
- ☒ USA Capital First Trust Deed Fund, LLC

Date: September 13, 2006
 Time: 9:30 a.m.

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1 USA Commercial Mortgage Company (“USA”), USA Capital Diversified Trust Deed
 2 Fund, LLC (“Diversified Fund”), and USA Capital First Trust Deed Fund, LLC (“FTD Fund”)
 3 (collectively, the “Debtors”) respectfully submit the following limited objection to the Motion to
 4 Amend Debtor’s Protocol for Continuing Distributions and Interim Holdbacks (the “Motion to
 5 Amend”) (Docket No. 1233).

6 **STATEMENT OF FACTS**

7 1. On July 7, 2006, Debtors filed their Motion to Distribute Funds and to Grant Ordinary-
 8 Course Releases and Distribute Proceeds (the “Distribution Motion”) (Docket No. 847), pursuant
 9 to which Debtors sought an order authorizing USA to distribute certain funds held in USA’s
 10 collection account to Lenders.

11 2. On August 24, 2006, the Court entered an order approving the Distribution Motion
 12 subject to the specific provisions set forth therein, but the parties reserved for a later determination
 13 by the Court the issue of further distributions of funds held in USA’s collection account on an
 14 ongoing basis.

15 3. On August 29, 2006, Debtors filed their Modification to Motion to Distribute Funds
 16 and Proposed Procedures for Ongoing Distributions (the “Modification Motion”) (Docket No.
 17 1203).

18 4. At the hearing on August 31, 2006, the Unsecured Creditors Committee (the “UCC”)
 19 argued that additional holdbacks and other modifications should be included in the order
 20 approving further monthly distributions, and therefore, the court ordered the UCC to file by
 21 September 1, 2006, a motion setting forth their requested further holdbacks and modifications.

22 5. As a result of the Court’s order, on September 1, 2006, the UCC filed the Motion to
 23 Amend which outlined the additional requested holdbacks, as well as included a proposed monthly
 24 interim distribution order.

25 6. The Debtors file this limited objection in response to the UCC’s Motion to Amend.

26 **MEMORANDUM**

27 The Debtors have reviewed the UCC’s proposed monthly interim distributions order and
 28 its language is generally acceptable to the Debtors except as follows. The main concern the

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Debtors have regarding the proposed monthly interim distribution order is with respect to paragraph 3. While the Debtors do not object to the concept contained in paragraph 3 that certain costs of collection might be allocable to specific loans, they do object to the UCC's proposed implementation of this concept. The Debtors also object to the proposed monthly interim distribution order to the extent it requires in paragraph 1.2.2 that the Debtors must seek entry of court orders on the surcharge and additional servicing fee by no later than September 30, 2006. Instead, the Debtors propose that a more appropriate date would be October 13, 2006. Additionally, due to complications that have recently arisen in preparing investor statements to reflect July, 2006 and August, 2006 collections, the proposed monthly interim distribution order should further be modified to reflect that the scheduled distribution date for both July and August, 2006 should be September 29, 2006.

Based on the foregoing, the Debtors are submitting alternative language to the Committees to address the foregoing concerns (and other minor concerns), including a revised paragraph 3 of the UCC's proposed order which proposes alternative procedures for dealing with the collection costs issue, and will be working with them in the next few days to try and reach a consensus regarding a monthly interim distribution order.

Respectfully submitted this 12th day of September, 2006.

/s/ Lenard E. Schwartzer, Esq.

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